

DAVID RAINES COMMUNITY
HEALTH CENTER, INC.

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2012

(With Summarized Financial Information for 2011)

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
June 30, 2012
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
David Raines Community Health Center, Inc.
Shreveport, Louisiana

We have audited the accompanying statement of financial position of David Raines Community Health Center, Inc. (a nonprofit organization) as of June 30, 2012, and the related statement of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2011 financial statements and, in our report dated November 10, 2011, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of David Raines Community Health Center, Inc., as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2012, on our consideration of David Raines Community Health Center, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The schedule on page 19 is presented for purposes of additional analysis and is not a required part of the financial statements of the Organization. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Banko Finley, White & Co.

Ridgeland, Mississippi
November 15, 2012

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Statement of Financial Position
June 30, 2012
(With Summarized Financial Information for 2011)

<u>ASSETS</u>	<u>2012</u>	<u>2011</u>
Current Assets:		
Cash and cash equivalents	\$ 205,695	\$ 708,748
Certificates of deposit	100,000	100,000
Investments	100,000	100,000
Patient care receivables, less allowance of \$(394,936) for doubtful accounts	339,982	275,027
Grants receivable	62,860	65,258
Accounts receivable - other	3,857	-
Inventory - pharmacy	115,460	84,535
Prepaid expenses	28,419	309
Total Current Assets	<u>956,273</u>	<u>1,333,877</u>
Fixed Assets:		
Land	78,959	56,889
Building and improvements	3,971,692	2,755,795
Furniture and equipment	1,934,468	1,899,695
Construction in progress	-	305,817
Vehicles	<u>374,825</u>	<u>365,425</u>
	6,359,944	5,383,621
Less: Accumulated depreciation	<u>(2,212,832)</u>	<u>(2,008,068)</u>
Net Fixed Assets	<u>4,147,112</u>	<u>3,375,553</u>
TOTAL ASSETS	<u>\$ 5,103,385</u>	<u>\$ 4,709,430</u>

The accompanying notes are an integral part of these financial statements.

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Statement of Financial Position
June 30, 2012
(With Summarized Financial Information for 2011)

<u>LIABILITIES AND NET ASSETS</u>	<u>2012</u>	<u>2011</u>
Current Liabilities:		
Accounts payable	\$ 296,745	\$ 388,859
Payroll taxes payable	-	11,154
Other payroll deductions payable	6,247	13,690
Salaries payable	106,333	150,403
Accrued annual leave	218,698	206,050
Other current liabilities	20,907	2,202
Deferred revenue	101,418	-
Current portion of capital lease obligation	4,751	5,021
Current portion of long term debt	740,520	105,399
Total Current Liabilities	<u>1,495,619</u>	<u>882,778</u>
Long-Term Liabilities		
Notes payable, net of current portion	175,187	915,706
Capital lease payable, net of current portion	433	8,166
Total Long-Term Liabilities	<u>175,620</u>	<u>923,872</u>
Total Liabilities	<u>1,671,239</u>	<u>1,806,650</u>
Net Assets:		
Unrestricted		
Undesignated (Operating)	600,125	469,456
Section 329/330(d) reserve	119,412	492,274
Fixed assets	2,712,609	1,941,050
Total Net Assets	<u>3,432,146</u>	<u>2,902,780</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,103,385</u>	<u>\$ 4,709,430</u>

The accompanying notes are an integral part of these financial statements.

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Statement of Activities
For the Year Ended June 30, 2012
(With Summarized Financial Information for 2011)

	<u>Operations</u>	<u>Fixed Assets</u>	<u>2012</u>	<u>2011</u>
SUPPORT AND REVENUES				
Support:				
Grants and contracts	\$ 3,131,043	-	\$ 3,131,043	\$ 4,265,279
Total Support	<u>3,131,043</u>	<u>-</u>	<u>3,131,043</u>	<u>4,265,279</u>
Revenue:				
Health care services, net of charity, bad debts and contractual adjustments of \$4,346,646	5,762,560	-	5,762,560	5,193,731
Contributions	9,400	-	9,400	175,000
Interest income	2,167	-	2,167	3,861
Other income	645,151	-	645,151	61,385
In-kind revenues	128,007	-	128,007	146,644
Total Revenue	<u>6,547,285</u>	<u>-</u>	<u>6,547,285</u>	<u>5,580,621</u>
TOTAL SUPPORT AND REVENUES	<u>9,678,328</u>	<u>-</u>	<u>9,678,328</u>	<u>9,845,900</u>
EXPENSES				
Program Services				
Health care services	5,512,110	-	5,512,110	5,317,805
Community services	562,645	-	562,645	422,043
Total Program Services	<u>6,074,755</u>	<u>-</u>	<u>6,074,755</u>	<u>5,739,848</u>
Supporting Services				
Management and general	2,869,443	204,764	3,074,207	2,887,235
Total Supporting Services	<u>2,869,443</u>	<u>204,764</u>	<u>3,074,207</u>	<u>2,887,235</u>
TOTAL EXPENSES	<u>8,944,198</u>	<u>204,764</u>	<u>9,148,962</u>	<u>8,627,083</u>
Change in Net Assets	734,130	(204,764)	529,366	1,218,817
Net Assets, Beginning of Year	<u>961,730</u>	<u>1,941,050</u>	<u>2,902,780</u>	<u>1,683,963</u>
Other changes in net assets				
Acquisition of fixed assets	(976,323)	976,323	-	-
	<u>(976,323)</u>	<u>976,323</u>	<u>-</u>	<u>-</u>
NET ASSETS, END OF YEAR	<u>\$ 719,537</u>	<u>2,712,609</u>	<u>\$ 3,432,146</u>	<u>\$ 2,902,780</u>

The accompanying notes are an integral part of these financial statements.

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Statement of Cash Flows
For the Year Ended June 30, 2012
(With Summarized Financial Information for 2011)

CASH FLOWS USED FOR OPERATING ACTIVITIES:

	2012	2011
Changes in Net Assets	\$ 529,366	\$ 1,218,817
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	204,764	173,513
Decrease (increase) in:		
Patient care receivables	(64,955)	15,815
Inventory	(30,925)	(21,104)
Other receivable	(3,857)	-
Grants receivable	2,398	(23,721)
Prepaid expenses	(28,110)	8,544
Increase (decrease) in:		
Accounts payable	(92,114)	(11,927)
Payroll taxes payable	(11,154)	(42,958)
Other payroll deductions payable	(7,443)	8,358
Refundable advances	101,418	-
Other liabilities	18,705	(21,174)
Accrued annual leave	12,648	40,483
Accrued salary payable	(44,070)	(3,354)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>586,671</u>	<u>1,341,292</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of fixed assets	<u>(976,323)</u>	<u>(1,145,479)</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(976,323)</u>	<u>(1,145,479)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payment on capital lease	(8,003)	(8,394)
Principal payment on notes payable	<u>(105,398)</u>	<u>(316,308)</u>
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>(113,401)</u>	<u>(324,702)</u>
NET INCREASE (DECREASE) IN CASH	(503,053)	(128,889)
CASH, BEGINNING OF YEAR	<u>708,748</u>	<u>837,637</u>
CASH, END OF YEAR	\$ <u>205,695</u>	\$ <u>708,748</u>
<u>Supplemental Disclosure of Cash Flow Information:</u>		
Cash paid during the year for:		
Interest expense	\$ <u>31,606</u>	\$ <u>40,286</u>

The accompanying notes are an integral part of these financial statements.

EXHIBIT IV

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Schedule of Functional Expenses
For the Year Ended June 30, 2012
(With Summarized Financial Information for 2011)

	PROGRAM SERVICES			SUPPORTING SERVICES		
	Health Care Services	Community Services	Total Program Services	Management and General	2012	2011
Personnel	\$3,837,160	361,867	4,199,027	1,361,318	\$ 5,560,345	\$ 4,931,149
Fringe benefits	432,222	31,173	463,395	205,264	668,659	690,347
Travel	39,339	-	39,339	98,286	137,625	79,590
Supplies	1,080,568	3,938	1,084,506	218,562	1,303,068	1,088,396
Equipment rental	-	-	-	37,805	37,805	35,003
Contractual	46,076	162,984	209,060	159,351	368,411	528,994
Legal	3,800	-	3,800	767	4,567	3,270
Dues and subscriptions	14,677	-	14,677	10,987	25,664	44,852
Utilities	49	1,643	1,692	87,021	88,713	73,114
Repairs and maintenance	22,930	217	23,147	312,456	335,603	572,234
Insurance	-	-	-	48,378	48,378	42,439
Staff recruitment	4,942	-	4,942	18,224	23,166	47,904
Advertisement	-	-	-	26,899	26,899	43,194
Security	60	-	60	2,954	3,014	2,721
Training and development	5,073	-	5,073	21,718	26,791	7,218
Telephone	-	-	-	119,780	119,780	107,095
Postage	150	-	150	13,136	13,286	9,741
Printing	7,396	823	8,219	2,535	10,754	14,683
Space cost	-	-	-	13,862	13,862	14,070
Interest	-	-	-	31,606	31,606	40,286
Bank charges	218	-	218	35,060	35,278	19,702
Food and beverage	245	-	245	19,581	19,826	22,147
Board expenses	-	-	-	16,044	16,044	7,528
Fundraising	-	-	-	199	199	-
Property and other taxes	16,862	-	16,862	3,723	20,585	19,713
Other	343	-	343	3,927	4,270	8,180
Total expenses before depreciation	5,512,110	562,645	6,074,755	2,869,443	8,944,198	8,453,570
Depreciation	-	-	-	204,764	204,764	173,513
Total Expenses	<u>\$5,512,110</u>	<u>562,645</u>	<u>6,074,755</u>	<u>3,074,207</u>	<u>\$ 9,148,962</u>	<u>\$ 8,627,083</u>

The accompanying notes are an integral part of these financial statements.

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Notes to the Financial Statements
June 30, 2012

NOTE 1 - ABOUT THE ORGANIZATION

David Raines Community Health Center, Inc. (DRCHC), a non-profit corporation was incorporated in the State of Louisiana on May 19, 1992. DRCHC was incorporated for the purpose of delivering comprehensive primary health care services to all individuals and families in the surrounding contiguous areas.

The fiscal year of DRCHC is July 1 through June 30.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. Basis of Accounting - The financial statements of David Raines Community Health Center, Inc., are presented on the accrual basis of accounting.
- B. Basis of Presentation - The organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.
- C. Cash and Cash Equivalents - For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less that are not restricted for specific purposes.
- D. Donated Property and Equipment - Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.
- E. Donated Services - Donated services are recognized as contributions in accordance with FASB ASC 958-605-30-4, Accounting for Contributions Received and Contributions Made, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Center.
- F. Expense Allocation - The cost of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.
- G. Fund Accounting - The accounts of the Organization are maintained in accordance with the principles of fund accounting. Under fund accounting, resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups.

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Notes to the Financial Statements
June 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- H. Property and Equipment - Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using primarily the straight-line method. Assets acquired with a unit cost of \$5,000 is capitalized and depreciated over their estimated useful lives.
- The Federal Government has a reversionary interest in property purchased with federal funds. Its disposition, as well as any disposition proceeds is subject to federal regulations. The use of assets purchased with federal funds is limited to the purposes intended by the funding source.
- I. Restricted and Unrestricted Revenue and Support - Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Federal grant awards are classified as refundable advances until expended for the purposes of the grants since they are conditional promises to give.
- J. Employees' Annual Leave - DRCHC charges annual leave earned by employees which has not been used by them at the end of a period to the period that the leave is earned.
- K. Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
- L. Patient Service Fees - Revenue for services rendered to patients are recorded at standard rates established by the Organization. The difference between standard rates and the amounts collected from third-party payors and patients qualifying as Poverty Patients is charged as an adjustment to gross revenues.
- M. Reclassifications - Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.
- N. Allowance for Doubtful Accounts - The Organization provides an allowance for doubtful accounts based upon a review of outstanding patient receivables, historical collection information and existing economic conditions. Accounts are considered delinquent and subsequently written off as bad debts based on individual credit evaluation and specific circumstances of the account.

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Notes to the Financial Statements
June 30, 2012

NOTE 3 - FINANCIAL INSTRUMENTS

The following methods and assumptions were used by the Center in estimating its fair value disclosures for financial instruments:

Cash and cash equivalents: the carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

The estimated fair values of the Center's financial instruments, none of which are held for trading purposes, are as follows:

	<u>Carrying Amount</u>	<u>Fair Value</u>
Financial assets:		
Cash and cash equivalents	\$ 205,695	\$ 205,695
Certificates of deposit	100,000	100,000
Financial liabilities:		
Capital lease payable	\$ 5,184	\$ 5,184
Notes payable	915,707	915,707

NOTE 4 - CONCENTRATIONS OF CREDIT RISK ARISING FROM DEPOSITS IN EXCESS
OF INSURED LIMITS

The Center maintains its cash balances in three (3) financial institutions located in Shreveport, Louisiana. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2012, the Center did not have an uninsured cash balance.

NOTE 5 - PATIENT RECEIVABLES

The amount of net patient care receivable at June 30, 2012 was \$339,982. Management feels that the actual collectability of the accounts receivable from patients will be realized in the amount as shown in the statement of financial position.

NOTE 6 - FIXED ASSETS

The following is a summary schedule of fixed assets and related accumulated depreciation at June 30, 2012:

<u>Assets</u>	<u>Cost</u>
Land	\$ 78,959
Buildings and Improvements	3,971,692
Furniture and Equipment	1,934,468
Vehicles	374,825
Total Fixed Assets	6,359,944
Less: Accumulated Depreciation	(2,212,832)
Net Fixed Assets	<u>\$ 4,147,112</u>

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Notes to the Financial Statements
June 30, 2012

NOTE 7 - CORPORATE INCOME TAXES

The Organization is exempt from corporate Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from Louisiana income taxes. Therefore, no provision has been made for Federal or Louisiana corporate income taxes in the accompanying financial statements.

The Organization has adopted recently issued accounting principles related to uncertain tax positions for the year ended June 30, 2012 and has evaluated its tax positions taken for all open tax years. Currently, 2010, 2011 and 2012 tax years are open and subject to examination by the Internal Revenue Service; however, the Organization is not currently under audit nor has the Organization been contacted by any of these jurisdictions.

Based on the evaluation of the Organization's tax positions, management believes all positions taken would be upheld under an examination; therefore, no provision for the effects of uncertain tax positions has been recorded for the year ended June 30, 2012.

NOTE 8 - RETIREMENT PLAN

The Center has a Section 403(b) retirement annuity plan on all eligible employees. Currently, the Center contributes to the plan three percent (3%) of gross wages. Each employee is allowed to contribute up to six percent (6%) of gross wages. The retirement expense for the fiscal year is \$48,398.

NOTE 9 - COMMITMENT AND CONTINGENCIES

Annual Leave

The cost of employee's unused annual leave at June 30, 2012 in the amount of \$218,698 is included in the financial statements. See Note 2.J. above.

NOTE 10 - SUMMARY OF FUNDING AND SUPPORT

David Raines Community Health Center's operations are funded through restricted grants from the U. S. Department of Health and Human Services. Other grants and contracts are received from state and local government agencies. The grants and contracts for the current period are shown below.

Source	Grant Number	Period	Amount
U.S. Department of Health and Human Services	H80CS00720	7/1/11 - 6/30/12	\$ 2,159,122
U.S. Department of Health and Human Services	H80CS00720	7/1/11-6/30/12	35,000
Louisiana State Department of Health and Hospitals (WIC)	652051	7/1/11-6/30/12	329,809
United Way	N/A	7/1/11-6/30/12	14,913
Louisiana Primary Care Association	N/A	7/1/11-6/30/12	592,199
TOTAL			\$ 3,131,043

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Notes to the Financial Statements
June 30, 2012

NOTE 11 - LONG-TERM NOTES PAYABLE

Notes payable consist of the following at June 30, 2012:

6.11% note dated November 23, 2005, payable in monthly payments of \$2,439 which includes principal and interest only; matures December 1, 2020, collateralized by Minden Clinic Building	\$ 192,996
2.00% note dated April 14, 2008, payable in monthly payments of \$5,920 which includes principal and interest only; matures April 14, 2013; collateralized by Bossier Clinic Building	691,452
6.25% note dated April 14, 2008, payable in monthly payments of \$2,933 which includes principal and interest only; matures May 1, 2013, collateralized by 2nd mortgage on Bossier Clinic Building	<u>31,259</u>
TOTALS	915,707
Less: Current portion	<u>(740,520)</u>
Total Long-Term Debt	<u>\$ 175,187</u>

Maturities of long-term debt are as follows:

2013	\$ 740,520
2014	19,218
2015	20,426
2016	21,709
2017	23,073
Thereafter	<u>90,761</u>
Totals	<u>\$ 915,707</u>

At June 30, 2012, David Raines Community Health Center, Inc. has a short-term obligation in the amount of \$691,452 that is due by its terms on April 14, 2013. At the completion of our audit fieldwork, David Raines Community Health Center, Inc. was in negotiations with the lender to refinance this obligation and extend the terms to a long-term period.

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Notes to the Financial Statements
June 30, 2012

NOTE 12 - CAPITAL LEASE PAYABLE

The Center leases certain equipment under agreements classified as capital leases. The capital lease obligations are collateralized by the equipment.

Future minimum lease payments under capital leases as of June 30, 2012 are as follows:

Various leases payable in monthly installments of \$1,891
which includes principal and interest. Maturity dates through August 2014.

Year Ending June 30		
2013	\$ 8,976	
2014	<u>1,052</u>	
Total future lease payments	10,028	
Less: amount representing interest	<u>(4,844)</u>	
Present value of minimum lease payments		5,184
Less: current portion		<u>(4,751)</u>
Non-current capital lease obligation		<u>\$ 433</u>

NOTE 13 - DONATED SERVICES

The Louisiana State University School of Medicine provides the Center with donated staff time and medical supplies. Staff time is valued at the actual salary rate of each individual. Detailed records are maintained by the school and made available to the Center for evaluation.

The value of donated services included in the financial statements and the corresponding expenses for the year ended June 30, 2012 are as follows:

Professional Services	\$ 98,919
Fringe Benefits	<u>29,090</u>
Total	<u>\$ 128,009</u>

In addition, donated supplies in the amount of \$3,549 were not recognized in the financial statements because they did not meet the criteria for recognition under FASB ASC 958-605-30-4.

NOTE 14 - INVESTMENTS

On August 18, 2009, the Organization acquired an investment in Louisiana Partnership for Choice and Access, LLC (LPCA, LLC) by purchasing 100 Company Units for \$100,000. LPCA, LLC is a for profit entity that owns 49% of Louisiana Healthcare Connection (a joint venture with Centene Corporation). Louisiana Healthcare Connection was established as a provider services network to assist the State of Louisiana in capping the cost of service delivery, maintain patient base and create a pool of revenue from which to cover the cost of uncompensated care patients receiving healthcare at Federally Qualified Health Centers.

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Notes to the Financial Statements
June 30, 2012

NOTE 15 - LITIGATION

David Raines Community Health Center, Inc. maintains general liability, property, fidelity, managed care professional liability, directors and officers and other insurance coverage in amounts the Company believes to be adequate. The Company requires contracting health care providers to maintain malpractice insurance coverage in amounts customary in the industry.

In the ordinary course of its business, David Raines Community Health Center, Inc. is a party to claims and legal actions by enrollees, providers and others. After consulting with legal counsel, the Company is of the opinion that any liability that may ultimately be incurred as a result of these claims, legal actions, audits or investigations will not have a material adverse effect on the financial position or results of operations of David Raines Community Health Center, Inc.

NOTE 16 - ADVERTISING

David Raines Community Health Center, Inc. uses advertising to promote its programs among the communities it serves. The production costs of advertising are expensed as incurred. During the year ending June 30, 2012, advertising cost totaled \$26,899.

NOTE 17 - CONCENTRATION OF CONTRIBUTIONS OR GRANTS

Approximately 28% of the Organization's funding is provided by direct grants from the U. S. Department of Health and Human Services.

NOTE 18 - GRANT BALANCES AND GRANT CONDITIONS

The Organization has responsibility for expending grant funds in accordance with specified instructions from its funding sources. Any deficits resulting from over expenditures and/or questioned costs are the responsibility of the Organization.

Any unexpended grant funds at the end of the grant period may be refundable or carried over to the following period at the discretion of the funding sources. Notwithstanding the audits by independent certified public accountants, all costs included in this report remain subject to audit by the agencies providing financial support within the limits of the Single Audit Act of 1996, as amended. The determination as to whether costs will be allowable or unallowable under the grants will be made by representatives of the funding sources having authority to make and enforce contracts.

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Notes to the Financial Statements
June 30, 2012

NOTE 19 - COMPARATIVE FINANCIAL STATEMENT INFORMATION

The financial statements include certain prior-year summarized information in total but not by net asset class. Prior-year information is not provided for the notes to the financial statements. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2011, from which the summarized information was derived.

NOTE 20 - SUBSEQUENT EVENTS

In November 2012, David Raines Community Health Center, Inc. received proceeds of \$567,595 from the disposition of its 5.16% ownership in LPC&A, LLC.

Subsequent events have been evaluated through November 15, 2012, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

NOTE 21 - NEW ACCOUNTING PRONOUNCEMENT

In July 2011, the FASB issued ASU 2011-07, *Health Care Entities: Presentation and Disclosure of Patient Service Revenue, Provisions for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*. This ASU will change David Raines Community Health Center, Inc.'s presentation of the provision for uncollectible accounts in the consolidated statements of operations from an operating expense to deduction from net patient service revenue. It also expands disclosures regarding policies for recognizing revenue, assessing contra revenue line items, and activity in the allowance for uncollectible accounts. David Raines Community Health Center, Inc. expects to adopt this pronouncement in fiscal year 2013.

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

Federal Grant/ Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Grant Number	Federal Expenditures
<u>U.S. Department of Health and Human Services</u>			
Health Resource & Service Administration			
Direct Program:			
Bureau of Primary Health Care			
Health Centers Cluster	93.224	H80CS00720	\$ 2,159,122
Affordable Care Act - Health Center Planning Grant	93.527	H80CS00720	<u>35,000</u>
			<u>2,194,122</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>2,194,122</u>
<u>U. S. Department of Agriculture</u>			
Pass Through State of Louisiana			
Department of Health and Hospitals			
Women, Infant & Children Grant (WIC)	10.557	652051	<u>329,809</u>
			<u>329,809</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 2,523,931</u>

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the schedule) has been generally prepared on the accrual basis of accounting. The purpose of the schedule is to present a summary of those activities represented by David Raines Community Health Center, Inc. for the year ended June 30, 2012, which have been financed by the U.S. Government (federal awards). For the purpose of the schedule, federal awards include all federal assistance and procurement relationships entered into directly between David Raines Community Health Center, Inc. and the federal government and sub-awards from non-federal organizations made under federally sponsored agreements. Because the schedule presents only a selected portion of the activities of David Raines Community Health Center, Inc., it is not intended to and does not present either the financial position or the changes in net assets of David Raines Community Health Center, Inc.

SUPPLEMENTARY INFORMATION

SCHEDULE A

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Combining Schedule of Support and Revenues
For the Year Ended June 30, 2012

	HHS Section 330 Funds	Louisiana Primary Care Association	WIC Program	United Way Grant	Total
SUPPORT AND REVENUES:					
Support:					
Grants and contracts	\$ 2,194,122	592,199	329,809	14,913	\$ 3,131,043
Total Support	<u>2,194,122</u>	<u>592,199</u>	<u>329,809</u>	<u>14,913</u>	<u>3,131,043</u>
Revenue:					
Health care services, net of charity, bad debts and adjustments of \$4,346,646	5,762,560	-	-	-	5,762,560
Contributions	9,400	-	-	-	9,400
Interest income	2,167	-	-	-	2,167
Other income	645,151	-	-	-	645,151
In-kind revenues	<u>128,007</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>128,007</u>
TOTAL SUPPORT AND REVENUES	<u>\$ 8,741,407</u>	<u>\$ 592,199</u>	<u>329,809</u>	<u>14,913</u>	<u>\$ 9,678,328</u>



REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENT PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
David Raines Community Health Center, Inc.
Alexandria, Louisiana

We have audited the financial statements of David Raines Community Health Center, Inc. (a nonprofit organization) as of and for the year ended June 30, 2012, and have issued our report thereon dated November 15, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of David Raines Community Health Center, Inc. is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered David Raines Community Health Center, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of David Raines Community Health Center, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether David Raines Community Health Center, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Directors, others within the organization and federal awarding agencies and pass-through entities, and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Banks Finkley, White & Co.

Ridgeland, Mississippi
November 15, 2012

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors of
David Raines Community Health Center, Inc.
Shreveport, Louisiana

Compliance

We have audited David Raines Community Health Center, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. David Raines Community Health Center, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of David Raines Community Health Center, Inc.'s management. Our responsibility is to express an opinion on David Raines Community Health Center, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about David Raines Community Health Center, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of David Raines Community Health Center, Inc.'s compliance with those requirements.

In our opinion, David Raines Community Health Center, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of David Raines Community Health Center, Inc., is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered David Raines Community Health Center, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of David Raines Community Health Center, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Bank, Finley, White & Co.

Ridgeland, Mississippi
November 15, 2012

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Auditee's Summary Schedule of Prior Audit Findings
Year Ended June 30, 2012

2011-1
Corrected

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|--|---------------|
| 1. | Type of auditor's report issued on the financial statements. | Unqualified |
| 2. | Material noncompliance relating to the financial statements. | None |
| 3. | Internal control over financial reporting: | |
| a. | Material weaknesses identified? | No |
| b. | Significant deficiencies identified that are not considered to be material weaknesses? | None Reported |

Federal Awards:

- | | | |
|----|---|---------------|
| 4. | Type of auditor's report issued on compliance for major federal programs:
Unqualified | |
| 5. | Internal control over major programs: | |
| a. | Material weaknesses identified? | No |
| b. | Significant deficiencies identified that are not considered to be material weaknesses? | None Reported |
| 6. | Any audit findings reported as required by Section __, 510(a) of Circular A-133? | None |
| 7. | Federal programs identified as major programs:

U. S. Department of Health and Human Services
Health Center Cluster, CFDA # 93.224 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee did not qualify as a low-risk Auditee. | |

DAVID RAINES COMMUNITY HEALTH CENTER, INC.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

Section 2 - Findings - Financial Statements Audit

NONE

Section 3 - Findings and Questioned Costs - Major Federal Award Program Audit

NONE